

Private Equity, how is the temperature ?

Private Equity, how is the temperature is an opinion item of the Luxembourg Private Equity & Venture Capital Association (LPEA) newsletter curated by **Olivier Coekelbergs**, Vice-Chairman of LPEA. The *thermometer* provides you with a quick update on current market trends and key data about the Private Equity (PE) industry.



JANUARY 2017

M&A

- Global M&A rebounded in October on the back of major deal announcements; we saw a "US\$100b M&A day" almost exactly a year after the last one.
- Core M&A is driving the uptick, with strong performance in the US\$500m–US\$10b value band.
- US-targeted M&A set a new record, with deals worth US\$334.7b.
- EY's 15th Global Capital Confidence Barometer (CCB) finds that the prospects for M&A remain healthy, with 57% of global companies planning to acquire in the next 12 months.

IPOs

- October 2016 recorded the strongest IPO activity YTD, both in terms of capital raised and number of deals, with six US\$1b+ deals.
- Global IPO activity recorded the highest number of deals for the month of October since 2010 and the highest proceeds since 2013.
- US exchanges saw the highest monthly activity in terms of capital raised this YTD, mainly due to the US\$1.4b listing of Chinese delivery service provider ZTO Express (Cayman) Inc.
- Asia-Pacific continued to dominate global IPO activity, both in terms of deal volume and value.

Fundraising

- Fundraising for buyout funds more than doubled in October, on flat volume, to US\$29b on 36 closes. YTD, fundraising is up 6%, standing at US\$406b.
- Average fund size in October more than doubled to US\$804.9m. YTD rose slightly to US\$630.9m, up 0.12% from a year ago.
- PE firms continue to increase the capital available for investment; the tally totaled US\$541.8b at the end of October.

Acquisitions

- PE acquisitions in October decreased 30%, to US\$19b from a year earlier. Year-to-date, activity is down 14%, to US\$241.1b.
- Are club deals making a comeback? PE firms could start working together to pursue larger deals.
- Europe's distressed financial services industry is ripe with investment opportunities for PE. Macro issues, Brexit and the new regulatory landscape are contributing to the growing opportunities.

Exits

- PE-backed M&A exits rose 2% to US\$23.8b from a year earlier, on fewer transactions (76 vs. 93). Asia and EMEA activity more than offset continued weakness in the Americas.
- YTD, PE-backed M&A deal value is down 27%, to US\$229.3b from a year ago; 2014 was a record year for PE exits, and 2015 was likewise robust.
- There were 17 PE-backed IPOs during October that combined to raise US\$7.5b in proceeds, down 39% from a year earlier.
- YTD is down 46%, partly on continued market uncertainty.